GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1386
ANSWERED ON:11.03.2005
INVESTMENT OF PROVIDENT FUND
Nahata Smt. P. Jaya Prada;Singh Shri Rajiv Ranjan (Lalan)

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has issued guidelines for the investment of the provident fund;

(b) if so, the details of such guidelines;

(c) the amount likely to accrue as a result of the investment of said fund; and

(d) the annual average amount likely to be invested and of the said fund on the basis of the above guidelines ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) and (b): The pattern of investment has been revised with a view to providing wider avenues for investment by Non-government Provident Funds, Superannuation Funds and Gratuity Funds. As per the revised pattern, which is effective from 1.4.2005, an amount upto 5% of the total portfolio has been allowed to be invested in shares of those companies that have an investment grade debt rating from two credit rating agencies and upto 10% of the debt instruments bearing investment grade rating and equity-linked schemes of mutual funds regulated by Securities and Exchange Board of India (SEBI).

(b) and (d): The revised investment pattern will take effect from 1.4.2005. Investment choices are left to the judgement of the trustees based on their assessment of risk and return. The actual returns depend on several factors, such as the market forces.